

CITY OF ISHPEMING, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council
City of Ishpeming, Michigan
Ishpeming, Michigan 49849

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ishpeming, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2008 on our consideration of City of Ishpeming's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 45 through 49, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We

To the Honorable Mayor and Members
of the City Council
City of Ishpeming, Michigan

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinions on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ishpeming, Michigan's basic financial statements. The combining and individual non-major fund financial statements listed as other financial information in the table of contents are presented for purpose of additional analysis and are not a required part of basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinions, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 30, 2008

City of Ishpeming, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Ishpeming's financial performance provides an overview of the City's financial activities for the year ended December 31, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$231,553 as a result of this year's operations. Net assets of our business-type activities decreased by \$(352,588), or 2 percent, and net assets of our governmental activities increased by \$584,141, or 11 percent.
- During the year, the City had expenses for governmental activities that were \$4,695,145 and generated \$5,279,286 in general revenues and other program sources.
- The City's business-type activities had expenses of \$2,201,408 and generated \$1,848,820 in revenues.
- The general fund reported a net change in fund balance of \$187,292. This is \$70,362 higher than the forecasted increase of \$116,930.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, water and ambulance systems and activities are reported here.
- *Component units* – The City includes one separate legal entity in its report –the Ishpeming Housing Commission. Although legally separate, this "component unit" is important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds

The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City as a Whole

Table I provides a summary of the City's net assets as of December 31, 2007 and 2006.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$5,132,434	\$4,051,563	\$1,146,141	\$ 1,128,216	6,278,575	\$5,179,779
Non-current assets	297,701	323,069	5,965,370	5,978,995	352,770	6,302,064
Capital assets, net	<u>5,145,958</u>	<u>5,286,143</u>	<u>9,002,106</u>	<u>9,372,488</u>	<u>14,148,064</u>	<u>14,658,631</u>
Total Assets	<u>10,576,093</u>	<u>9,660,775</u>	<u>16,113,617</u>	<u>16,479,699</u>	<u>20,411,135</u>	<u>26,140,474</u>
Current Liabilities	2,866,093	2,243,283	148,528	162,022	3,014,567	2,405,305
Non-current liabilities	<u>2,707,596</u>	<u>2,201,868</u>	-	-	<u>2,707,596</u>	<u>2,201,868</u>
Total Liabilities	<u>5,573,635</u>	<u>4,445,151</u>	<u>148,528</u>	<u>162,022</u>	<u>5,722,163</u>	<u>4,607,173</u>
Net Assets:						
Invested in capital assets, net of related debt	3,614,958	3,675,143	14,967,476	15,351,483	18,582,434	19,026,626
Restricted	917,880	899,616	-	-	917,880	899,616
Unrestricted	<u>469,620</u>	<u>640,865</u>	<u>997,613</u>	<u>966,194</u>	<u>1,467,233</u>	<u>1,607,059</u>
Total net Assets	<u>\$5,002,458</u>	<u>\$5,215,624</u>	<u>\$15,965,089</u>	<u>\$ 16,317,677</u>	<u>\$20,967,547</u>	<u>\$ 21,533,301</u>

Net assets of the City's governmental activities stood at \$5,002,458. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$469,620.

The \$469,620 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$15,965,089. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007 and 2006.

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues:						
Charges for services	\$920,748	\$ 867,668	\$1,885,341	\$ 1,701,853	\$2,806,089	\$ 2,603,413
Operating grants and distributions	1,137,692	973,879	-	-	1,137,692	973,879
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	1,966,732	1,727,356	-	-	1,966,732	1,727,356
Unrestricted intergovernmental	955,987	980,906	-	-	955,987	980,906
Investment earnings	124,794	142,022	55,264	39,744	180,058	181,766
Miscellaneous	<u>48,233</u>	<u>63,612</u>	<u>-</u>	<u>-</u>	<u>48,233</u>	<u>63,612</u>
Total Revenues	<u>5,154,186</u>	<u>4,755,443</u>	<u>1,940,605</u>	<u>1,741,597</u>	<u>7,094,791</u>	<u>6,497,040</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued):

Table 2 (Continued)
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Program Expenses:						
Legislative	\$20,650	\$17,163	\$-	\$-	\$20,650	\$17,163
General government	1,213,723	1,364,812	-	-	1,213,723	1,364,812
Public safety	753,464	718,129	-	-	753,464	718,129
Public works	1,904,640	1,796,699	-	-	1,904,640	1,796,699
Recreation and culture	412,299	335,224	-	-	412,299	335,224
Other governmental	203,067	201,305	-	-	203,067	201,305
Interest on long-term debt	132,077	93,156	-	-	132,077	93,156
Depreciation – unallocated	55,225	50,495	-	-	55,225	50,495
Ambulance	-	-	12,809	284,831	12,809	284,831
Tube Slide	-	-	26,353	-	26,353	-
Sewer	-	-	1,190,372	1,271,259	1,190,372	1,271,259
Water	-	-	<u>971,874</u>	<u>807,718</u>	<u>971,874</u>	<u>807,718</u>
Total Expenses	<u>4,695,145</u>	<u>4,576,983</u>	<u>2,201,408</u>	<u>2,363,808</u>	<u>6,896,553</u>	<u>6,940,791</u>
Excess (deficiency) before transfers	459,041	178,460	(227,488)	(622,211)	231,553	(443,751)
Transfers	<u>125,100</u>	<u>135,000</u>	<u>(125,100)</u>	<u>(135,000)</u>	-	-
Increase (decrease) in net assets	<u>584,141</u>	<u>313,460</u>	<u>(352,588)</u>	<u>(757,211)</u>	<u>231,553</u>	<u>(443,751)</u>
Net assets, beginning	<u>5,215,624</u>	4,902,164	16,317,677	17,074,888	21,533,301	21,977,052
Reclassification of net assets	<u>(797,307)</u>	-	-	-	<u>(797,307)</u>	-
Net Assets, Ending	<u>\$5,002,458</u>	<u>\$5,215,624</u>	<u>\$15,965,089</u>	<u>\$16,317,677</u>	<u>\$20,967,54</u>	<u>\$21,533,301</u>

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The City's total revenues were \$7,094,791. The total cost of all programs and services was \$6,896,553, leaving an increase in net assets of \$231,553. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

Government activities net assets increased by \$584,141. This increase was due mainly to a net increase of \$398,743 in revenues.

Table 3 presents the cost of each of the three largest programs – General Government, Public Safety and Public Works – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$1,213,723	\$1,056,588
Public Safety	753,464	710,336
Public Works	1,904,640	563,825

Business-type Activities

Business-type activities net assets decreased by \$352,588. The Sewer System experienced a \$449,948 reduction due to expenses exceeding revenue. The Ambulance fund experienced a \$1,192 net increase, the Tube Slide Fund experienced a \$29,260 net increase, and the Water Fund experienced a \$66,908 net increase to bring the net decrease in Business-Type Activities to \$352,588.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a *combined* fund balance of \$2,783,494, an increase of \$527,145 from the beginning of the year.

The combined fund balance increase of \$527,145 was due to the reduction in General Fund expenditures, increases in the fund balances of the Major Street Fund and Public Improvement Fund, and consolidation of the DDA (formerly a component unit) into the City's books, offset by a overall decline in the Other Governmental Funds.

General Fund Budgetary Highlights

General Fund expenses were \$112,817 less than the final budget because General Government expenses were \$77,039 less than the final budget; Public Safety was \$16,059 less than the final budget; and Public Works was \$21,907 less than the final budget. Legislative expense was \$650 more than the final budget; Recreation and Culture was \$1,538 more than the final budget. Overall the fiscal year 2007 General Fund expenses were \$112,817 less than the final General Fund Budget.

General Fund Revenue was \$42,196 less than the final revenue budget because Taxes were \$380 under budget; State Sources were \$24,259 under budget; Local Sources were \$3,476 under budget; Licenses and Permits were \$11,025 under budget; Charges for Services was \$11,873 over budget and Interest Income, Contributions, Fines and Forfeitures and Other Revenues were a total of \$14,929 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the City had \$14,148,062 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2007	Business-type Activities – 2007	Totals – 2007
Land	\$ 1,095,241	\$ 10,888	\$ 1,106,129
Historical treasures	13,925	-	13,925
Construction in progress	276,203	-	276,203
Buildings	2,257,026	-	2,257,026
Equipment and vehicles	1,010,942	38,962	1,049,904
Infrastructure	492,621	-	492,621
Sewer system and equipment	-	7,286,893	7,286,893
Water system and equipment	-	1,665,361	1,665,361
Totals	\$ 5,145,958	\$ 9,002,104	\$ 14,148,062

In 2007, the City's major capital additions included public water and sewer infrastructure for the new Bell Hospital (being funded 100% by Bell Hospital), continued construction on the Carson Street Bridge Project and Pine Street reconstruction, replacement of broiler system at Library, and various equipment and vehicle purchases.

Capital projects planned for 2008 include completion of public water, sewer, and street infrastructure for the new Bell Hospital. This project began in 2007 and is being funded 100% by Bell Hospital. The reconstruction of Pine Street is scheduled for late summer of 2008. This project will be partially funded by a \$375,000 MDOT Small Urban Grant, loan funds from Rural Development, and City funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Other capital projects scheduled for 2008 include Downtown Façade Improvement Project, construction of the first phase of the Iron Ore Heritage Trail from Negaunee to Ishpeming, a sewer infrastructure project in the Country Village area, and the purchase of personal protective gear and equipment for the Ishpeming Fire Department.

Debt

At year-end, the City had \$2,675,000 in bonds and notes outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2007	Business-type Activities – 2007	Totals – 2007
Revenue bonds	\$2,035,000	\$-	\$2,035,000
Contracts and notes payable	640,000	-	640,000
Totals	<u>\$2,675,000</u>	<u>\$-</u>	<u>\$2,675,000</u>

Further details on long-term debt can be found in Note I.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials consider many factors when setting the fiscal year 2008 budget. One of those factors is the economy. The inability to increase property taxes proportional to the cost of providing government services and the continued reduction in State Statutory Revenue Sharing and ACT 51 Road Funds, along with the increases in health insurance costs and double digit increases in the costs of energy, contracted services, and fuel, are putting a significant strain on City's finances. This has resulted in the City continuing its hiring freeze, increasing various fees and charges, reducing expenditures, investigating service consolidations or cost sharing arrangements with neighboring jurisdictions, placing an emphasis on economic development to increase the City's tax base and future revenues, and putting various projects "on hold" until economic conditions improve.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Ishpeming, 100 East Division Street, Ishpeming, Michigan 49849.

City of Ishpeming, Michigan

Statement of Net Assets

December 31, 2007

	Primary Government			Component
	Governmental	Business Type	Total	Unit
	Activities	Activities		
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 1,686,189	\$ 722,285	\$ 2,408,474	\$ 392,727
Investments	868,911	-	868,911	786,490
Receivables (net)	2,546,456	405,088	2,951,544	1,078
Prepaid expenses and other assets	30,878	13,407	44,285	13,341
Other current assets	-	5,361	5,361	-
TOTAL CURRENT ASSETS	5,132,434	1,146,141	6,278,575	1,193,636
Non-current assets:				
Long-term receivables	279,099	-	279,099	-
Unamortized bond issue costs	18,602	-	18,602	-
Investment in Wastewater Treatment Facility	-	2,458,047	2,458,047	-
Investment in Joint Water Authority	-	3,507,323	3,507,323	-
Capital assets:				
Land and construction in progress	1,371,444	-	1,371,444	-
Other capital assets	14,891,510	18,135,013	33,026,523	7,952,722
Accumulated depreciation	(11,116,996)	(9,132,907)	(20,249,903)	(3,853,447)
Total Capital Assets	5,145,958	9,002,106	14,148,064	4,099,275
TOTAL NON-CURRENT ASSETS	5,443,659	14,967,476	20,411,135	4,099,275
TOTAL ASSETS	10,576,093	16,113,617	26,689,710	5,292,911
LIABILITIES				
Current Liabilities:				
Accounts payable	379,321	40,352	419,673	23,209
Accrued liabilities	97,024	73,974	170,998	101,643
Compensated absences	7,186	34,202	41,388	-
Deferred revenue	2,107,008	-	2,107,008	-
Current portion of bonds payable	173,000	-	173,000	-
Current portion of notes payable	65,000	-	65,000	-
Other current liabilities	37,500	-	37,500	-
TOTAL CURRENT LIABILITIES	2,866,039	148,528	3,014,567	124,852
Non-current Liabilities:				
Compensated absences	309,096	-	309,096	21,650
Bonds payable	1,862,000	-	1,862,000	-
Long-term contracts and notes payable	575,000	-	575,000	-
Deferred gain on refunding	(38,500)	-	(38,500)	-
TOTAL NON-CURRENT LIABILITIES	2,707,596	-	2,707,596	21,650
TOTAL LIABILITIES	5,573,635	148,528	5,722,163	146,502
NET ASSETS				
Invested in capital assets net of related debt	3,614,958	14,967,476	18,582,434	4,099,275
Restricted for:				
Debt Service	-	-	-	-
Other activities	917,880	-	917,880	-
Unrestricted	469,620	997,613	1,467,233	1,047,134
TOTAL NET ASSETS	\$ 5,002,458	\$ 15,965,089	\$ 20,967,547	\$ 5,146,409

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Statement of Activities
For the Year Ended December 31, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Function / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Component Unit
Primary Government:								
Governmental Activities:								
Legislative	\$ 20,650	\$ -	\$ -	\$ -	\$ (20,650)	\$ -	\$ (20,650)	\$ -
General government	1,213,723	157,135	-	-	(1,056,588)	-	(1,056,588)	-
Public safety	753,464	16,061	27,067	-	(710,336)	-	(710,336)	-
Public works	1,904,640	659,329	681,486	-	(563,825)	-	(563,825)	-
Recreation and culture	412,299	69,958	21,410	-	(320,931)	-	(320,931)	-
Other governmental	203,067	18,265	407,729	-	222,927	-	222,927	-
Interest on long-term debt	132,077	-	-	-	(132,077)	-	(132,077)	-
Depreciation - unallocated	55,225	-	-	-	(55,225)	-	(55,225)	-
Total Governmental Activities	4,695,145	920,748	1,137,692	-	(2,636,705)	-	(2,636,705)	-
Business Type Activities:								
Ambulance	12,809	14,001	-	-	-	1,192	1,192	-
Tube Slide	26,353	-	-	-	-	(26,353)	(26,353)	-
Sewer	1,190,372	794,214	-	-	-	(396,158)	(396,158)	-
Water	971,874	1,077,126	-	33,315	-	138,567	138,567	-
Total Business Type Activities	2,201,408	1,885,341	-	33,315	-	(282,752)	(282,752)	-
TOTAL PRIMARY GOVERNMENT	\$ 6,896,553	\$ 2,806,089	\$ 1,137,692	\$ 33,315	(2,636,705)	(282,752)	(2,919,457)	-
Component Unit:								
Ishpeming Housing Commission	\$ 739,889	\$ 339,928	\$ 168,383	\$ 291,872				60,294
TOTAL COMPONENT UNIT	\$ 739,889	\$ 339,928	\$ 168,383	\$ 291,872	-	-	-	60,294
General Revenues:								
Taxes:								
Property taxes					1,641,377	-	1,641,377	-
Payment in lieu of taxes					325,355	-	325,355	-
Unrestricted intergovernmental sources					955,987	-	955,987	-
Interest and investment earnings					124,794	55,264	180,058	44,571
Miscellaneous					48,233	-	48,233	20,944
Gain(loss) on sale of assets					-	-	-	-
Transfers					125,100	(125,100)	-	-
TOTAL GENERAL REVENUES & TRANSFERS					3,220,846	(69,836)	3,151,010	65,515
CHANGE IN NET ASSETS					584,141	(352,588)	231,553	125,809
Net assets, beginning of year					5,215,624	16,317,677	21,533,301	4,223,293
Reclassification of net assets					(797,307)	-	(797,307)	797,307
NET ASSETS, END OF YEAR					\$ 5,002,458	\$ 15,965,089	\$ 20,967,547	\$ 5,146,409

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Governmental Funds
Balance Sheet
December 31, 2007

	General Fund	Major Street Fund	DDA Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 212,514	\$ 104,231	\$ 279,099	\$ 290,711	\$ 799,634	\$ 1,686,189
Investments	15,000	-	-	-	853,911	868,911
Accounts receivable, net	35,964	-	750	-	37,338	74,052
Taxes receivable	700,483	-	-	360,491	216,291	1,277,265
Due from other governments	385,363	56,834	-	-	34,456	476,653
Due from component units	-	-	-	-	-	-
Due from other funds	667,767	-	478,746	357,448	296,034	1,799,995
Prepaid expenditures	30,878	-	-	-	-	30,878
Notes receivable	-	-	-	13,925	265,174	279,099
TOTAL ASSETS	\$ 2,047,969	\$ 161,065	\$ 758,595	\$ 1,022,575	\$ 2,502,838	\$ 6,493,042
LIABILITIES AND FUND BALANCE						
LIABILITIES:						
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	76,198	404	2,161	64,540	30,047	173,350
Accrued payroll	80,867	4,139	-	-	5,569	90,575
Accrued sick and vacation leave	7,186	-	-	-	-	7,186
Accrued liabilities	6,449	-	-	-	-	6,449
Due to other funds	528,607	-	4,080	273,004	481,789	1,287,480
Deferred revenue	1,081,480	-	448,746	360,491	216,291	2,107,008
Notes payable	-	-	37,500	-	-	37,500
TOTAL LIABILITIES	1,780,787	4,543	492,487	698,035	733,696	3,709,548
FUND BALANCE:						
Reserved for:						
Capital outlay	-	-	-	-	-	-
Other	-	-	-	-	917,880	917,880
Unreserved, reported in:						
General Fund	267,182	-	-	-	-	267,182
Special Revenue Funds	-	156,522	266,108	324,540	851,262	1,598,432
TOTAL FUND BALANCE	267,182	156,522	266,108	324,540	1,769,142	2,783,494
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,047,969	\$ 161,065	\$ 758,595	\$ 1,022,575	\$ 2,502,838	\$ 6,493,042

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2007

Total Fund Balances for Governmental Funds	\$	2,783,494
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		5,145,958
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Adjustments associated with the consolidation of the Downtown Development Authority into the City of Ishpeming's books.

Current portion of bonds payable	(105,000)	
Bonds payable	(675,000)	
Bond issuance costs	18,602	
Deferred gain on refunding	38,500	
		(722,898)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds

Current portion of bonds payable	(68,000)	
Current portion of notes and contracts payable	(65,000)	
Compensated absences	(309,096)	
Bonds payable	(1,187,000)	
Long-term contracts and notes payable	(575,000)	
		(2,204,096)

	\$	5,002,458
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The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

	General Fund	Major Street Fund	DDA Fund	Public Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 1,295,820	\$ -	\$ 393,946	\$ 347,447	\$ 208,466	\$ 2,245,679
Federal sources	-	-	-	25,000	-	25,000
State sources	965,941	456,278	-	-	240,694	1,662,913
Local sources	6,924	-	-	-	-	6,924
Licenses and permits	52,675	-	-	-	-	52,675
Charges for services	102,323	-	-	-	267,575	369,898
Interest income and rentals	292,849	4,708	20,881	6,453	70,534	395,425
Contributions	5,174	-	13,783	115,000	-	133,957
Fines and forfeitures	63,294	-	-	-	-	63,294
Other revenues	47,154	-	341	136,987	13,939	198,421
TOTAL REVENUES	2,832,154	460,986	428,951	630,887	801,208	5,154,186
EXPENDITURES:						
Current operations:						
Legislative	20,650	-	-	-	-	20,650
General government	1,252,992	-	-	-	-	1,252,992
Public safety	665,537	-	-	-	-	665,537
Public works	630,693	449,277	-	-	669,678	1,749,648
Recreation and culture	270,831	-	-	-	17,612	288,443
Other governmental	-	-	189,476	-	4,243	193,719
Debt service:						
Principal	-	21,150	117,550	60,000	26,300	225,000
Interest and fiscal charges	-	8,170	35,090	32,313	48,347	123,920
Capital outlay	-	-	-	255,422	-	255,422
TOTAL EXPENDITURES	2,840,703	478,597	342,116	347,735	766,180	4,775,331
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,549)	(17,611)	86,835	283,152	35,028	378,855
OTHER FINANCING SOURCES (USES):						
Investment in landfill	-	-	-	-	-	-
Transfers in	304,341	94,900	15,000	43,776	229,900	687,917
Reclassification of net assets	-	-	164,273	-	(146,839)	17,434
Transfers (out)	(108,500)	(50,000)	-	(231,300)	(167,261)	(557,061)
TOTAL OTHER FINANCING SOURCES (USES)	195,841	44,900	179,273	(187,524)	(84,200)	148,290
CHANGE IN FUND BALANCE	187,292	27,289	266,108	95,628	(49,172)	527,145
Fund balance, beginning of year	79,890	129,233	-	228,912	1,818,314	2,256,349
FUND BALANCE, END OF YEAR	\$ 267,182	\$ 156,522	\$ 266,108	\$ 324,540	\$ 1,769,142	\$ 2,783,494

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds \$ 527,145

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities,
the cost of those assets is allocated over their estimated useful lives as depreciation expense. This
is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	211,910	
Depreciation expense		(352,095)	
			(140,185)

The net effect of various transactions involving capital assets (disposal of capital
assets and sales) is to decrease net assets.

-

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

225,000

Proceeds of borrowing are an other financing source in the funds, but a debt
issue increases long-term liabilities in the statement of net assets.

-

Adjustments associated with the consolidation of the Downtown Development Authority into the
City of Ishpeming's books.

Transfer of Downtown Development Authority's governmental assets to City	(17,434)		
Current year amortization of bond issuance costs	(2,657)		
Current year amortization of deferred gain on refunding	(5,500)		
			(25,591)

Some expenses reported in the statement of activities, such as compensated
absences, do not require the use of current financial resources and therefore
are not reported as expenditures in governmental funds.

(2,228)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	584,141
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City of Ishpeming, Michigan
Proprietary Funds
Statement of Net Assets
December 31, 2007

Business- Type Activities:
Enterprise Funds

	Sewer Fund	Water Fund	Non-major Enterprise Funds	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 16,510	\$ 813,682	\$ -	\$ 830,192
Accounts receivable	68,852	272,927	440,740	782,519
Allowance for uncollectible accounts	-	-	(427,431)	(427,431)
Due from other funds	-	-	50,000	50,000
Prepaid expenses	13,407	-	-	13,407
Other current assets	-	5,361	-	5,361
TOTAL CURRENT ASSETS	98,769	1,091,970	63,309	1,254,048
Non-current Assets:				
Investment in Wastewater Treatment Facility	2,458,047	-	-	2,458,047
Investment in Joint Water Authority	-	3,507,323	-	3,507,323
Property, plant and equipment	14,181,368	3,649,163	304,482	18,135,013
Accumulated depreciation	(6,894,474)	(1,972,913)	(265,520)	(9,132,907)
TOTAL NON-CURRENT ASSETS	9,744,941	5,183,573	38,962	14,967,476
TOTAL ASSETS	9,843,710	6,275,543	102,271	16,221,524
LIABILITIES				
Current Liabilities:				
Cash overdrafts	-	-	107,907	107,907
Accounts payable	481	36,287	3,584	40,352
Accrued liabilities	-	61,449	-	61,449
Accrued payroll	2,203	8,208	2,114	12,525
Accrued sick and vacation leave	-	34,202	-	34,202
TOTAL CURRENT LIABILITIES	2,684	140,146	113,605	256,435
TOTAL LIABILITIES	2,684	140,146	113,605	256,435
NET ASSETS				
Invested in capital assets net of related deb	9,744,941	5,183,573	38,962	14,967,476
Net Assets:				
Unrestricted	96,085	951,824	(50,296)	997,613
TOTAL NET ASSETS	\$ 9,841,026	\$ 6,135,397	\$ (11,334)	\$ 15,965,089

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007

	Business- Type Activities: Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Enterprise Funds	Total
OPERATING REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Licenses and permits	450	600	-	1,050
Charges for services	793,605	1,056,105	14,001	1,863,711
Other operating revenue	159	20,421	-	20,580
TOTAL OPERATING REVENUES	794,214	1,077,126	14,001	1,885,341
OPERATING EXPENSES:				
Personal services	98,468	301,340	11,993	411,801
Capital outlay	-	-	-	-
Contractual services	472,224	355,250	15,128	842,602
Supplies	26,555	83,717	367	110,639
Utilities	1,402	7,947	-	9,349
Depreciation	352,156	92,106	11,397	455,659
Payment in lieu of taxes	195,000	110,000	-	305,000
Other expenses	30,942	21,514	277	52,733
TOTAL OPERATING EXPENSES	1,176,747	971,874	39,162	2,187,783
OPERATING INCOME (LOSS)	(382,533)	105,252	(25,161)	(302,442)
NON-OPERATING REVENUES (EXPENSES):				
Interest expense	-	-	-	-
Tax Tribunal Adjustments	-	-	-	-
Loss on wastewater facility	(13,625)	-	-	(13,625)
Interest income and rentals	8,010	41,641	5,613	55,264
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,615)	41,641	5,613	41,639
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(388,148)	146,893	(19,548)	(260,803)
Capital contributions	-	33,315	-	33,315
Transfers in (out)	(61,800)	(113,300)	50,000	(125,100)
CHANGE IN NET ASSETS	(449,948)	66,908	30,452	(352,588)
Net assets, beginning of year	10,290,974	6,068,489	(41,786)	16,317,677
NET ASSETS, END OF YEAR	\$ 9,841,026	\$ 6,135,397	\$ (11,334)	\$ 15,965,089

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2007

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Non-major Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from fees and charges for services	\$ 785,657	\$ 1,048,724	\$ 20,692	\$ 1,855,073
Other operating revenues	159	20,420	-	20,579
Cash payments to employees for services	(92,280)	(277,794)	(8,962)	(379,036)
Cash payments for payroll taxes	(7,533)	(23,053)	(917)	(31,503)
Cash payments to suppliers for goods and services	(724,386)	(562,732)	(12,259)	(1,299,377)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(38,383)	205,565	(1,446)	165,736
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers in (out)	(61,800)	(113,300)	50,000	(125,100)
Increase in due to other funds	-	(5,361)	(50,000)	(55,361)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(61,800)	(118,661)	-	(180,461)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(14,899)	(33,315)	(37,062)	(85,276)
Capital contributions received	-	33,315	-	33,315
Interest paid on long-term bonds	-	-	-	-
Principal payment on long-term bonds	-	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(14,899)	-	(37,062)	(51,961)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	8,010	41,641	5,613	55,264
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	8,010	41,641	5,613	55,264
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(107,072)	128,545	(32,895)	(11,422)
Cash and cash equivalents, beginning of year	123,582	685,137	-	808,719
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 16,510	\$ 813,682	\$ (32,895)	\$ 797,297
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (382,533)	\$ 105,252	(25,161)	\$ (302,442)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	352,156	92,105	11,397	455,658
Change in assets and liabilities:				
(Increase) decrease in accounts receivable, net	(8,398)	(7,981)	6,691	(9,688)
(Increase) decrease in taxes receivable	-	-	-	-
(Increase) decrease in due from governmental units	-	-	-	-
(Increase) decrease in due from prepaid expenses	35,702	-	-	35,702
Increase (decrease) in accounts payable	(33,965)	8,296	3,513	(22,156)
Increase (decrease) in customer deposits payable	-	7,400	-	7,400
Increase (decrease) in accrued payroll	(1,345)	310	2,114	1,079
Increase (decrease) in accrued sick and vacation	-	183	-	183
Increase (decrease) in deferred revenue	-	-	-	-
NET ADJUSTMENTS	344,150	100,313	23,715	468,178
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (38,383)	\$ 205,565	\$ (1,446)	\$ 165,736

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Fiduciary Funds
Statement of Fiduciary Net Assets
December 31, 2007

	Private- Purpose Trust Funds	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and equivalents	\$ 7,342	\$ 69,300	\$ 760,296
Investments	-	5,319,594	-
Notes receivables	-	-	-
Taxes receivable	-	-	-
Other receivables	-	-	-
Due from other governments	-	-	-
Due from other funds	-	161,729	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>7,342</u>	<u>5,550,623</u>	<u>\$ 760,296</u>
LIABILITIES			
Accounts payable	-	-	\$ -
Due to other funds	5,758	-	718,486
Due to other governmental units	-	-	41,810
Deferred revenues	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>5,758</u>	<u>-</u>	<u>\$ 760,296</u>
NET ASSETS			
Held in trust for pension benefits	-	5,550,623	
Held in trust for individuals, organizations, and other governments	1,584	-	
	<u> </u>	<u> </u>	
TOTAL NET ASSETS	<u>\$ 1,584</u>	<u>\$ 5,550,623</u>	

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
Fiduciary Funds
Statement in Changes in Fiduciary Net Assets
For the Year Ended December 31, 2007

	Private- Purpose Trust Funds	Pension Trust Fund
ADDITIONS:		
Contributions:		
Employer	\$ -	\$ 94,165
Employee	-	21,870
Gifts, bequests and endowments	-	-
Total Contributions	-	116,035
Investment Income:		
Net appreciation (depreciation) in fair value of investments	-	197,284
Interest and dividends	74	122,078
Net Investment Income (Loss)	74	319,362
TOTAL ADDITIONS	74	435,397
DEDUCTIONS:		
Benefits and annuity withdrawals	-	396,845
Refunds of contributions	-	-
Administrative expense	-	30,261
Payments in accordance with trust agreements	5,805	-
Tax Tribunal Adjustments	-	-
TOTAL DEDUCTIONS	5,805	427,106
CHANGE IN NET ASSETS	(5,731)	8,291
Net assets, beginning of year	7,315	5,542,332
NET ASSETS, END OF YEAR	\$ 1,584	\$ 5,550,623

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
COMPONENT UNITS
COMBINING STATEMENT OF NET ASSETS
December 31, 2007

	Downtown Development Authority	Housing Commission	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ 392,727	\$ 392,727
Cash and cash equivalents-reserved	-	-	-
Taxes receivable	-	-	-
Receivables, net	-	1,078	1,078
Investments	-	786,490	786,490
Other assets	-	13,341	13,341
TOTAL CURRENT ASSETS	-	1,193,636	1,193,636
Noncurrent Assets:			
Unamortized bond issue costs	-	-	-
Capital assets	-	7,952,722	7,952,722
Accumulated depreciation	-	(3,853,447)	(3,853,447)
TOTAL NONCURRENT ASSETS	-	4,099,275	4,099,275
TOTAL ASSETS	-	5,292,911	5,292,911
LIABILITIES			
Current Liabilities:			
Accounts payable	-	23,209	23,209
Accrued liabilities	-	101,643	101,643
Current portion of bonds payable	-	-	-
Current portion of notes payable	-	-	-
Deferred Revenue	-	-	-
TOTAL CURRENT LIABILITIES	-	124,852	124,852
Noncurrent Liabilities:			
Bonds payable	-	-	-
Deferred gain on refunding	-	-	-
Other liabilities	-	21,650	21,650
TOTAL NONCURRENT LIABILITIES	-	21,650	21,650
TOTAL LIABILITIES	-	146,502	146,502
NET ASSETS			
Invested in capital assets net of related debt	-	4,099,275	4,099,275
Unrestricted	-	1,047,134	1,047,134
TOTAL NET ASSETS	\$ -	\$ 5,146,409	\$ 5,146,409

The accompanying notes are an integral part of these financial statements.

City of Ishpeming, Michigan
 COMPONENT UNITS
 COMBINING STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Housing Commission	Total
Downtown Development Authority Operations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Housing Commission Operations	739,889	339,928	168,383	291,872	-	60,294	60,294
TOTAL COMPONENT UNITS	<u>\$ 739,889</u>	<u>\$ 339,928</u>	<u>\$ 168,383</u>	<u>\$ 291,872</u>	<u>-</u>	<u>60,294</u>	<u>60,294</u>
General Revenues:							
Property taxes					-	-	-
Interest and investment earnings					-	44,571	44,571
Miscellaneous					-	20,944	20,944
TOTAL GENERAL REVENUES					<u>-</u>	<u>65,515</u>	<u>65,515</u>
CHANGE IN NET ASSETS					<u>-</u>	<u>125,809</u>	<u>125,809</u>
Net assets, beginning of year					(797,307)	5,020,600	4,223,293
Reclassification of net assets					797,307	-	797,307
NET ASSETS, END OF YEAR					<u>\$ -</u>	<u>\$ 5,146,409</u>	<u>\$ 5,146,409</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ISHPEMING, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Ishpeming conform to generally accepted accounting principles applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants, except for the maintenance of a general fixed asset group of accounts. The following is a summary of the more significant policies.

REPORTING ENTITY

The City was incorporated in 1873. The City operates under a Council - Manager form of government. As required by generally accepted accounting principles, these financial statements present the City of Ishpeming (the primary government) and its component unit. The component unit discussed in Note B is included in the City's reporting entity because of the significance of its operational and financial relationships with the City.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, water and ambulance services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- *General Fund* - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- *Special Revenue Funds* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.
- *Capital Projects Funds* - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).
- *Permanent Funds* – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principal portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

- *Enterprise Funds* - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds:

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefor are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Major Funds:

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Major Street Fund** accounts for the activities related to receipt of allocated state shared gas and weight taxes to be spent on certain "mile" roads designated as major under contractual agreement with the State of Michigan.
- The **DDA Fund** accounts for the activities related to operation and maintenance of the City's designated tax increment financing district.
- The **Public Improvement Fund** accounts for the activities related to development and improvement of the City's general capital assets.

The City reports the following major proprietary funds:

- The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.
- The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water and sewer services are accrued as revenue in the Water and Sewer Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

FINANCIAL STATEMENT AMOUNTS

Property Taxes

The City bills and collects its own property taxes and also the taxes for the local school district, the intermediate school district, and the county. Collections of local school taxes, intermediate school district taxes, and county taxes and remittance of them are accounted for in the Trust and Agency Fund. Property taxes are levied on December 1st based on the taxable value of property. City property tax revenues are recognized when levied to the extent that they result in current receivables.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Depreciation Life-Years
Buildings, structures, and improvements	30-50 years
Water supply and sewage disposal systems	20-50 years
Vehicles and equipment	5-20 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses.

Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

1. Not later than August 15, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted at City Hall to obtain taxpayer comments.
3. Not later than September 30, the budget is adopted by the City Council in accordance with the provisions of the City Charter.
4. The City Council adopts the budget by functional categories. Any transfers of appropriations between functions must be approved by the City Council. All unencumbered and unexpended appropriations lapse at year end.
5. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
6. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
7. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Ishpeming because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Inventory

Inventory costs are recorded as expenditures when incurred.

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – INDIVIDUAL COMPONENT UNIT DISCLOSURES:

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the financial data for the Ishpeming Housing Commission. It is reported in a separate column to emphasize that it is legally separate from the City. The purpose of the Ishpeming Housing Commission is to provide low income housing programs for City residents.

At the beginning of the year, the Downtown Development Authority (DDA) was consolidated with the City because it was no longer a legally separate entity. Net asset amounts at the beginning of the year are presented in the component unit column of the financial statements. For information on the consolidation of the DDA, see Footnote T to the financial statements.

A complete financial statement for the Ishpeming Housing Commission can be obtained directly from the administrative office at 111 Bluff, Ishpeming, Michigan, 49849.

In accordance with the provisions of GASB Statement 14, certain other governmental organizations are not considered to be part of the reporting entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of Ishpeming City Schools is not included in the financial statements of the City.

NOTE C – CASH AND EQUIVALENTS:

The composition of cash and equivalents reported on the Statement of Net Assets are as follows:

Cash and cash equivalents:	
Primary government	\$ 2,408,474
Fiduciary funds	3,245,412
TOTAL REPORTING ENTITY	<u>\$ 3,245,412</u>
A summary of deposits by type are:	
Cash in demand accounts	\$ 350,828
Cash in savings and time deposits	2,893,884
Petty cash	700
TOTAL DEPOSITS	<u>\$ 3,245,412</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the

NOTE C – CASH AND EQUIVALENTS (Continued):

City does not have a deposit policy for custodial credit risk. As of December 31, 2007, the carrying amount of the City's deposits with financial institutions was \$3,245,412 and the bank balance was \$3,036,598. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 210,659
Amount uninsured and collateralized with securities held by the pledging financial institutions trust department not in the City's name	48,995
Amount uninsured and uncollateralized	<u>2,776,944</u>
TOTAL	<u>\$ 3,036,598</u>

NOTE D – INVESTMENTS:

As of December 31, 2007, the City had the following investments.

	Investment in Maturities (in Years)				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
PRIMARY GOVERNMENT:					
Time Deposits	\$ 266,642	\$ 136,600	\$ 100,042	\$ 30,000	\$ -
U.S. Government Agencies	338,024	-	112,000	90,024	136,000
Tennessee Valley Authority Notes	40,000	-	-	40,000	-
U.S. Treasury Bonds	224,245	-	-	224,245	-
TOTAL INVESTMENTS	\$ 868,911	\$ 136,000	\$ 212,043	\$ 384,269	\$ 136,000
FIDUCIARY FUNDS:					
Domestic Corporation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Agencies	-	-	-	-	-
U.S. Treasury Notes	-	-	-	-	-
Mutual Equity Funds	2,253,540	2,253,540	-	-	-
Mutual Equity Index Funds	3,066,054	3,066,054	-	-	-
TOTAL INVESTMENTS	\$ 5,319,594	\$ 5,319,594	\$ -	\$ -	\$ -

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statute (Act 314, PA 1965, as amended) authorizes the pension trust to invest in, with certain restrictions, stocks and mutual funds up to 60% of the system's assets; investments in the general or separate account of life insurance companies; fixed income securities; investments in leased property; direct investments in property; investments in real estate loans; investments in small business or venture capital firms in Michigan; surplus

NOTE D – INVESTMENTS (Continued):

funds pooled accounts; and bank or trust company collective investment funds.

The City has no investment policy that would further limit its investment choices. The City's investments in Tennessee Valley Authority Notes are rated AAA by Moody's and AAA by Standard & Poor's. Ratings are not required for the City's investment in U.S. Government Agencies or equity-type funds. The City's investments are in accordance with statutory authority.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. There were no investments subject to concentration credit risk disclosure.

NOTE E – INTERFUND RECEIVABLES AND PAYABLES:

A summary of the interfund receivables and payables at December 31, 2007 is as follows:

		DUE FROM OTHER FUNDS					
DUE TO OTHER FUNDS		General Fund	DDA Fund	Public Improvement Fund	Non-Major Governmental Funds	Fiduciary Funds	Total Due To Other Funds
	General Fund	\$ -	\$ -	\$ -	\$ 350,285	\$ 317,482	\$ 667,767
	DDA Fund	-	-	-	30,000	448,746	478,746
	Public Improvement Fund	347,447	4,080	-	163	5,758	357,448
	Non-Major Governmental Funds	19,431	-	273,004	3,599	-	296,034
	Non-Major Enterprise Funds	-	-	-	50,000	-	50,000
	Fiduciary Funds	161,729	-	-	-	-	161,729
	Total Due From Other Funds	\$ 528,607	\$ 4,080	\$ 273,004	\$ 434,047	\$ 771,986	\$ 2,011,724

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2007 is as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$1,095,241	\$ -	\$ -	\$1,095,241
Historical Treasurers	13,925	-	-	13,925
Construction-in-progress	240,018	36,185	-	276,203
Capital assets being depreciated:				
Buildings and improvements	9,627,571	59,291	-	9,686,862
Equipment and vehicles	4,526,571	116,434	-	4,643,005
Infrastructure	547,718	-	-	547,718
Total Capital Assets	16,051,044	211,910	-	16,262,954

NOTE F – CAPITAL ASSETS (Continued):

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Less accumulated depreciation:				
Buildings and improvements	\$(7,348,926)	\$(80,910)	\$ -	\$(7,429,836)
Equipment and vehicles	(3,318,236)	(250,827)	-	(3,632,063)
Infrastructure	(34,739)	(20,358)	-	(55,097)
Total Accumulated Depreciation	<u>(10,764,901)</u>	<u>(352,095)</u>	<u>-</u>	<u>(11,116,996)</u>
CAPITAL ASSETS, NET	<u>\$5,286,143</u>	<u>\$(140,185)</u>	<u>\$-</u>	<u>\$5,145,958</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Safety	\$70,453
Public Works	181,227
Recreation and Culture	45,190
Unallocated	55,225
Total Depreciation Expense- Governmental Activities	<u>\$352,095</u>

A summary of changes in business-type activities capital assets as of December 31, 2007 is as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$10,888	\$-	\$-	\$10,888
Construction in Progress	-	-	-	-
Capital assets being depreciated:				
Sewer system and equipment	14,166,469	14,899	-	14,181,367
Water plant and equipment	3,604,960	33,315	-	3,638,276
Tube slide equipment	-	37,062	-	37,062
Ambulance equipment	267,420	-	-	267,420
Total Capital Assets	<u>18,049,737</u>	<u>85,276</u>	<u>-</u>	<u>18,135,013</u>
Less accumulated depreciation:				
Sewer system and equipment	(6,542,318)	(352,156)	-	(6,894,474)
Water plant and equipment	(1,880,808)	(92,107)	-	(1,972,915)
Tube slide equipment	-	-	-	-
Ambulance equipment	(254,123)	(11,397)	-	(265,520)
Total Accumulated Depreciation	<u>(8,677,249)</u>	<u>(455,660)</u>	<u>-</u>	<u>(9,132,909)</u>
CAPITAL ASSETS, NET	<u>\$9,372,488</u>	<u>\$(370,384)</u>	<u>\$-</u>	<u>\$9,002,104</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$352,156
Water system	92,107
Ambulance equipment	11,397
Total Depreciation Expense- Business-type Activities	<u>\$444,893</u>

NOTE G – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave using the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year (except the Fire Fighters Union employees who get six twenty-four hour shifts). Upon termination in good standing, retirement, death, or disability, employees or their estates, shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Upon retirement, death, termination or disability, employees or their estates are paid for all outstanding vacation days accumulated at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds. The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows:

ACCRUED SICK AND VACATION:

General Fund	\$7,186
Garbage & Rubbish	858
Water	34,203
Governmental Activities – Long-Term Portion	309,096
TOTAL	<u>\$351,343</u>

NOTE H – DEFERRED REVENUES:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Taxes that were levied on December 1, 2007 have been recorded as deferred revenue for the following funds:

General Fund	\$1,081,480
DDA Fund	448,746
Public Improvement Fund	360,491
Garbage and Rubbish Fund	216,291
Policemen & Firemen Retirement System	-
TOTAL	<u>\$2,107,008</u>

NOTE I – LONG -TERM DEBT:

A summary of long-term obligations at December 31, 2007 and transactions related thereto for the year then ended is as follows:

NOTE I – LONG -TERM DEBT (Continued):

	Balance <u>January 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2007</u>
GOVERNMENTAL ACTIVITIES:				
Limited Tax General Obligation Building Authority Bonds, Series 2000. Payable semi-annually including interest of 5.125% per annum.	\$827,000	\$-	\$18,000	\$809,000
Michigan Transportation Fund Bonds, Series 2003. Payable semi-annually including interest of 4.25%.	409,000	-	45,000	364,000
Limited Tax General Obligation Building Authority Bonds, Series 2002. Payable semi-annually, including interest of 4.75% per annum.	84,000	-	2,000	82,000
Installment payable for purchase of fire truck. Payable annually beginning January 1, 2006 including interest of 4.375%, secured by equipment.	250,000	-	15,000	235,000
Installment payable for purchase of Public Works equipment. Payable annually including interest of 4.75% per annum. Secured by equipment.	450,000	-	45,000	405,000
General Obligation Limited Tax Development Refunding Bonds, 2004 series. Payable semi-annually including interest of 3.00% to 3.9% per annum.	880,000	-	100,000	780,000
SUBTOTAL	2,900,000	2,228	22,5000	2,675,000
Accrued compensated absences	306,868	2,228	-	309,096
TOTAL GOVERNMENTAL ACTIVITIES	\$3,206,868	\$2,228	\$225,000	\$2,984,096

The annual principal and interest requirements for the years ending December 31, 2007 and thereafter, excluding accrued compensated absences, are as follows:

	Governmental Activities		Totals	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	238,000	115,490	238,000	115,490
2009	256,000	105,861	256,000	105,861
2010	269,000	95,662	269,000	95,662
2011	282,000	84,692	282,000	84,692
2012	285,000	73,172	285,000	73,172
2013-2017	668,000	227,010	668,000	227,010
2018-2022	241,000	139,772	241,000	139,772
2023-2027	246,000	81,155	246,000	81,155
2028-2032	190,000	16,556	190,000	16,556
Totals	\$2,675,000	\$939,370	\$2,675,000	\$939,370

Note: The City is within its legal debt margin as of December 31, 2007.

NOTE J – FUND EQUITY RESERVES AND DESIGNATIONS:

The Garbage & Rubbish Fund has a \$28,878 reserved for payment of the City's principal portion of the bonds related to its membership in the Marquette County Landfill.

The Permanent Funds have reserved fund balance of \$889,002 for Cemetery Trusts as noted in the City Charter.

NOTE K – LONG-TERM RECEIVABLES:

Loans made to individual businesses in the City by the Revolving Loan Fund are recorded as long-term receivables. The total outstanding amount of loans issued as of December 31, 2007 was \$279,099.

NOTE L – PROPERTY TAXES:

The City of Ishpeming levied 13.6048 mills for the General Fund, 2.7209 mills for the Garbage and Rubbish Fund, 4.5349 mills for the Public Improvement Fund and 0.9069 mills for the Firemen and Policemen Retirement Fund for calendar year 2006. The millage rate is based on each \$1,000.00 of property assessed valuation and the current Taxable Value of the City is \$83,338,022.

NOTE M – OTHER FINANCING SOURCES AND USES:

The transfers between funds for the year ended December 31, 2007 are as follows:

TRANSFERS (OUT)								
	General Fund	Major Street Fund	Public Improvement Fund	Non-Major Governmental Funds	Water Fund	Sewer Fund	Fiduciary Funds	Total Due To Other Funds
TRANSFERS IN	General Fund	\$ -	\$ -	\$ -	\$ 81,500	\$ 113,300	\$ 61,800	\$ 47,741
	Major Street Fund	-	-	94,900	-	-	-	94,900
	Tube Slide	-	-	-	50,000	-	-	50,000
	Public Improvement Fund	-	-	-	38,019	-	5,758	43,777
	DDA Fund	-	-	-	15,000	-	-	15,000
	Non-Major Governmental Funds	108,500	50,000	136,400	-	-	-	294,900
	Total Due From Other Funds	\$ 108,500	\$ 50,000	\$ 231,300	\$ 184,519	\$ 113,300	\$ 61,800	\$ 53,499
								\$ 802,918

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

NOTE N – DEFINED BENEFIT PENSION PLAN:**DEFINED BENEFIT PENSION PLANS**

Plan Description - The City participates in the Michigan Municipal Employees Retirement System, and agent multiple-employer defined benefit pension plan that covers all employees of the City except for the Policemen and Firemen. The System provides retirement, disability and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917-9755.

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5.35% of gross wages for the Clerical Employees' unit and DPW Employees' unit, 9.70% of gross wages for the Supervisory Employees' unit, and 7.51% of gross wages for non-union employees.

Annual Pension Cost - For year ended December 31, 2006 the City's annual pension cost of \$206,132 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.0 investment rate of return, and (b) projected salary increases of 4.5 percent per year plus a percentage based on an age-related scale to reflect merit, longevity and promotional salary increases. Both (a) and (b) include an inflation component of 3 to 4%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

	2004	2005	2006
Annual Pension Cost	\$184,915	\$178,654	\$206,132
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	6,885,453	7,115,352	7,416,851
Actuarial Accrued Liability (Entry Age)	9,167,819	9,752,385	10,228,720
Unfunded AAL	2,282,366	2,637,033	2,811,869
Funded ratio	75%	73%	73%
Covered Payroll	1,363,411	1,144,166	1,171,618
UAAL as a Percentage of Covered Payroll	167%	230%	240%

DEFINED BENEFIT PENSION PLAN - POLICEMEN AND FIREMEN

The City of Ishpeming is the administrator of a single-employer public employee retirement system that covers all Police and Fire Department employees. The system provides retirement, disability and death benefits to plan members and their beneficiaries.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units, and requires a contribution from the employees of 5% of gross wages.

Annual Pension Cost - For year ended December 31, 2006 the City's annual pension cost of \$126,033 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.0% investment rate of return, and (b) projected salary increases of 5.5 percent per year, and (c) 0 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5%. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a five year period. The unfunded actuarial liability, if any, is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 11 years.

NOTE N – DEFINED BENEFIT PENSION PLAN (Continued):

	2004	2005	2006
Annual Pension Cost	\$106,478	\$103,643	\$126,033
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	5,395,745	5,476,760	5,536,098
Actuarial Accrued Liability (Entry Age)	5,318,589	5,734,681	5,989,103
Unfunded AAL	77,156	(257,921)	(362,005)
Funded ratio	101%	96%	94%
Covered Payroll	770,263	765,143	455,750
UAAL as a Percentage of Covered Payroll	-%	34%	79%

Concentration of Investments - The fair value of individual investments that represent 5.0% or more of the Plan's net assets are as follows:

Gateway Fund – 9,554.4240 Units	\$273,638
Pinco All Asset Fund – 3,0492.8330 Units	\$386,954
Pinco Total Return Fund – 80,069.1130 Units	\$855,938
Ishares TR MSCI EAFE Fund – 3,950.0000 Units	\$310,075
Ishares TR Russell 1000 – 10,743.0000 Units	\$652,959
Ishares TR S&P 100 Index – 9,260.0000 Units	\$637,088
Ishares Trust S&P 500 – 6,061.0000 Units	\$889,391

NOTE O – DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all City employees, and it permits them to defer a portion of their current earnings until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plan are held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be property of the Plan's participants and are no longer subject to the City's general creditors. However, the Plan continues to be presented in these financial statements, as the City retains a fiduciary duty of care over the Plan. In the past, the plan assets have been used for no purpose other than to pay benefits and administrative costs.

The Plan's participants have the right to designate how the funds will be invested. Accordingly, the City has no liability for losses under the Plan. The Plan's assets are held in trust for the exclusive benefit of the Plan's participants and their beneficiaries.

The plan is administered by the Nationwide Retirement Solutions (formerly known as PEBSCO). Nationwide Retirement Solutions, as plan administrator, agrees to hold harmless and indemnify the City, its appointed and elected officers and participating employees from any loss resulting from Nationwide Retirement Solutions or its agents' failure to perform their duties and services pursuant to the Nationwide Retirement Solutions program.

NOTE P – OTHER POST-EMPLOYMENT BENEFITS:

The City provides post-employment health benefits to eligible retirees, terminated employees and their dependents. The benefits are provided in accordance with City ordinances, collective bargaining agreements and the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The criteria to determine eligibility is defined in the Employer Participation Agreement for the Post-Employment Health Plan for Public Employees. The plan is administered by Nationwide Retirement Solutions. During 2006, expenses of \$30,800 were

NOTE P – OTHER POST-EMPLOYMENT BENEFITS (Continued):

recognized for post-employment health benefits. Expenses for post-retirement health care benefits are recognized as employer contributions are made to the Plan.

NOTE Q – JOINT VENTURE:

Ishpeming Area Joint Wastewater Treatment Board

The City of Ishpeming and the Township of Ishpeming entered into an agreement on December 10, 1981 for the purpose of creating the Ishpeming Area Joint Wastewater Treatment Board (Board). The Board shall design, construct, operate and maintain a joint wastewater treatment plant and related facilities. Unless otherwise agreed by the City and Township, the Board shall not levy or assess user charges, sewer rates, or fees directly against individual users of the wastewater treatment plant, but shall instead be reimbursed by contract payments from the City and Township. The City and Township shall be responsible for collecting user charges, sewer rates, fees, penalties and the like from their respective residents and users of the system.

The City utilizes the equity method of accounting for the activity in its investment in the Facility. Under the equity method the investment is adjusted for any additional capital investments made and its proportionate share of the Facility's results of operations.

A summary of condensed financial information of the Facility, in the aggregate, as of December 31, 2007, is as follows:

Assets	\$6,792,437
Liabilities	11,635
Equity - All local units	6,680,802
Operating Revenues	738,754
Operating Expenses	889,313
Other Income	130,225
Net Income (loss)	(20,334)
City's Share of Net Income (loss)	(13,624)

Marquette County Solid Waste Management Authority

In February 1990, the City of Ishpeming joined 21 other municipalities in the Marquette County Solid Waste Management Authority ("Authority"). The authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structure, equipment, and other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641 and to establish and administer procedures providing for the separation, recycling, recovery, conversion of solid waste to energy and for the disposition of such energy output and disposal at the site of Non-toxic Type II and Type III Solid Waste, to fund all of the above activities, to charge and collect fees in connection with the operation of the landfill and to provide for the reimbursement with receipt of bond proceeds to the City of Marquette and Sands Township of their respective costs and expenses incurred in connection with the establishment and administration of the Solid Waste Authority and the System Facility.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of the Sands Township, two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners, and one resident of the City of Marquette appointed by other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

NOTE Q – JOINT VENTURE (Continued):

The City's share of assets, liabilities, and fund equity is 10.16 percent. Summary financial information as of and for the fiscal year ended June 30, 2007 is as follows:

Total Assets	\$ 13,425,691
Total Liabilities	1,989,798
Total Net Assets	11,435,893
Total Operating Revenues	2,374,922
Total Operating Expenses	2,817,324
Total Joint Venture's Outstanding Debt	515,000

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

Marquette County issued the Marquette County Solid Waste System Bonds, Series 1991. These bonds are to be paid with a portion of tipping fees designated for bond repayment.

Negaunee - Ishpeming Water Authority Board

The City of Ishpeming and the City of Negaunee entered into an intergovernmental agreement dated January 7, 1988, and amended on July 31, 1991, for the purpose of creating the Negaunee-Ishpeming Water Authority Board (Board), a corporate public body. The Board is to design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, the City paid 50% of the preliminary engineering, design engineering, and bidding costs, and 60% of the capital costs.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract the City of Negaunee is obligated to pay \$2,860,000 over the next 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%. The City of Ishpeming has fulfilled its obligation as of December 31, 2004.

The total cost of construction of the project was approximately \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant; a \$500,000 Michigan Community Development Block Grant; and \$840,000 in local funds.

A summary of the compiled financial information of the NIWAB as of and for the year ended December 31, 2006 (the latest available financial report) is as follows:

Total Assets	\$1,894,097
Total Liabilities	41,840
Total Net assets	1,852,257
Total Operating Revenues	473,201
Total Operating Expenses	490,201
Operating Income (Loss)	(17,000)
Net Income (Loss)	10,499

The balance of the investment in Joint Water Authority for the year ended December 31, 2007 of \$3,507,323 represents the City's net investment in the NIWAB.

NOTE R – CONTINGENT LIABILITIES:

Risk Management - The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

Grant Assistance - The City has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the City.

NOTE S – DEFICIT FUND BALANCE/NET ASSETS:

As of December 31, 2007 the Ambulance Fund reported a deficit in unrestricted net assets of \$42,494. Total net assets amounted to a deficit balance of \$40,594.

As of December 31, 2007 the Tube Slide Fund reported a deficit in unrestricted net assets of \$7,802. Total net assets amounted to \$29,260.

NOTE T – CONSOLIDATION OF DOWNTOWN DEVELOPMENT AUTHORITY:

During the 2007 fiscal year, the City of Ishpeming consolidated its component unit, the Downtown Development Authority, into its governmental activities as a Special Revenue Fund since the DDA was no longer a legally separate entity. Net assets at the beginning of the year were \$797,307, were comprised of assets of \$17,434 which were transferred into the new "DDA Fund" and debt related liabilities of \$814,741.

NOTE U – SINGLE AUDIT:

During the 2007 fiscal year, the City of Ishpeming did not expend more than \$500,000 in federal dollars; therefore the City is not required to have a Single Audit in order to comply with OMB Circular A-133.

Required Supplementary Information

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the GENERAL FUND is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Legislative, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREET FUND, DDA FUND, and PUBLIC IMPROVEMENT FUND are Major Special Revenue Fund types.

City of Ishpeming, Michigan
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 1,300,700	\$ 1,296,200	\$ 1,295,820	\$ (380)
State sources	999,700	990,200	965,941	(24,259)
Local sources	9,000	10,400	6,924	(3,476)
Licenses and permits	63,700	63,700	52,675	(11,025)
Charges for services	80,000	90,450	102,323	11,873
Interest income and rentals	284,400	293,400	292,849	(551)
Contributions	5,000	5,100	5,174	74
Fines and forfeitures	72,500	75,700	63,294	(12,406)
Other revenues	29,200	49,200	47,154	(2,046)
TOTAL REVENUES	2,844,200	2,874,350	2,832,154	(42,196)
EXPENDITURES:				
Current operations:				
Legislative	20,000	20,000	20,650	(650)
General government	1,468,150	1,330,031	1,252,992	77,039
Public safety	662,660	681,596	665,537	16,059
Public works	661,000	652,600	630,693	21,907
Recreation and culture	267,850	269,293	270,831	(1,538)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	3,079,660	2,953,520	2,840,703	112,817
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(235,460)	(79,170)	(8,549)	70,621
OTHER FINANCING SOURCES (USES):				
Transfers in	274,600	304,600	304,341	(259)
Transfers (out)	(90,000)	(108,500)	(108,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	184,600	196,100	195,841	(259)
CHANGE IN FUND BALANCE	(50,860)	116,930	187,292	70,362
Fund balance, beginning of year	79,890	79,890	79,890	-
FUND BALANCE, END OF YEAR	\$ 29,030	\$ 196,820	\$ 267,182	\$ 70,362

City of Ishpeming, Michigan
Major Special Revenue Funds
Budgetary Comparison Schedule
For the Year Ended December 31, 2007

	MAJOR STREET FUND				DDA FUND				PUBLIC IMPROVEMENT FUND			
	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget	Original	Final	GAAP	Final Budget	Original	Final	GAAP	Final Budget
			Basis	Positive			Basis	Positive			Basis	Positive
				(Negative)				(Negative)				(Negative)
REVENUES:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 317,000	\$ 317,000	\$ 393,946	\$ 76,946	\$ 347,800	\$ 347,700	\$ 347,447	\$ (253)
Federal sources	375,000	-	-	-	-	-	-	-	-	24,800	25,000	200
State sources	450,000	439,500	456,278	16,778	100,000	100,000	-	(100,000)	-	-	-	-
Interest income and rentals	1,000	2,000	4,708	2,708	5,000	10,000	20,881	10,881	3,500	5,000	6,453	1,453
Contributions	-	-	-	-	15,000	15,000	13,783	(1,217)	115,000	115,000	115,000	-
Other revenue	-	-	-	-	-	-	341	341	153,600	138,600	136,987	(1,613)
TOTAL REVENUES	826,000	441,500	460,986	19,486	437,000	442,000	428,951	(13,049)	619,900	631,100	630,887	(213)
EXPENDITURES:												
Current operations:												
Public works	961,800	495,600	449,277	46,323	-	-	-	-	-	-	-	-
Other governmental	-	-	-	-	347,100	363,649	189,476	174,173	-	-	-	-
Debt service:												
Principal	20,000	21,200	21,150	50	159,500	159,500	117,550	41,950	30,000	60,000	60,000	-
Interest and fiscal charges	6,000	13,700	8,170	5,530	37,000	37,000	35,090	1,910	30,000	32,700	32,313	387
Capital outlay	-	-	-	-	-	-	-	-	321,000	332,407	255,422	76,985
TOTAL EXPENDITURES	987,800	530,500	478,597	51,903	543,600	560,149	342,116	218,033	381,000	425,107	347,735	77,372
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(161,800)	(89,000)	(17,611)	71,389	(106,600)	(118,149)	86,835	204,984	238,900	205,993	283,152	77,159
OTHER FINANCING SOURCES (USES):												
Transfers in	120,000	94,900	94,900	-	-	-	15,000	15,000	36,700	44,700	43,776	(924)
Reclassification of net assets	-	-	-	-	-	-	164,273	164,273	-	-	-	-
Transfers (out)	(10,000)	(50,000)	(50,000)	-	-	-	-	-	(287,000)	(231,300)	(231,300)	-
TOTAL OTHER FINANCING SOURCES (USES)	110,000	44,900	44,900	-	-	-	179,273	179,273	(250,300)	(186,600)	(187,524)	(924)
CHANGE IN FUND BALANCE	(51,800)	(44,100)	27,289	71,389	(106,600)	(118,149)	266,108	384,257	(11,400)	19,393	95,628	76,235
Fund balance, beginning of year	129,233	129,233	129,233	-	-	-	-	-	228,912	228,912	228,912	-
FUND BALANCE, END OF YEAR	\$ 77,433	\$ 85,133	\$ 156,522	\$ 71,389	\$ (106,600)	\$ (118,149)	\$ 266,108	\$ 384,257	\$ 217,512	\$ 248,305	\$ 324,540	\$ 76,235

With Comparative Actual Amounts for the Year Ended December 31, 2006

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City of Ishpeming, Michigan
DDA Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007			
	Final	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
REVENUES:				
Taxes	\$ 317,000	\$ 393,946	\$ 76,946	\$ -
Federal sources	-	-	-	-
State sources	100,000	-	(100,000)	-
Interest income and rentals	10,000	20,881	10,881	-
Contributions	15,000	13,783	(1,217)	-
Other revenue	-	341	341	-
TOTAL REVENUES	442,000	428,951	(13,049)	-
EXPENDITURES:				
Other Governmental	363,649	189,476	174,173	-
Debt service:				
Principal	159,500	117,550	41,950	-
Interest and fiscal charges	37,000	35,090	1,910	-
Total Debt Service	196,500	152,640	43,860	-
TOTAL EXPENDITURES	560,149	342,116	218,033	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(118,149)	86,835	204,984	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	15,000	15,000	-
Reclassification of net assets	-	164,273	164,273	-
Transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	179,273	179,273	-
CHANGE IN FUND BALANCE	(118,149)	266,108	384,257	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	\$ (118,149)	\$ 266,108	\$ 384,257	\$ -

City of Ishpeming, Michigan
Public Improvement Fund
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007			
	Final	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006
REVENUES:				
Taxes	\$ 347,700	\$ 347,447	\$ (253)	\$ 301,353
Federal sources	24,800	25,000	200	-
State sources	-	-	-	-
Interest income and rentals	5,000	6,453	1,453	12,308
Contributions	115,000	115,000	-	110,000
Other revenue	138,600	136,987	(1,613)	124,106
TOTAL REVENUES	631,100	630,887	(213)	547,767
EXPENDITURES:				
Capital Outlay:				
City assessor	-	-	-	-
City treasurer	15,000	-	15,000	-
City hall & grounds	-	-	-	43,413
Cemetery	14,460	7,282	7,178	5,621
Police	84,300	53,799	30,501	3,127
Fire	16,300	9,865	6,435	69,815
Public works	40,000	37,172	2,828	137,033
Parks	31,500	29,473	2,027	3,476
Playlots	8,840	8,595	245	-
Al Quaal	18,100	19,100	(1,000)	2,712
Library	90,407	80,789	9,618	22,723
Contracted services	13,500	9,348	4,152	1,835
Total Capital Outlay	332,407	255,423	76,984	289,755
Debt service:				
Principal	60,000	60,000	-	108,953
Interest and fiscal charges	32,700	32,313	387	25,053
Total Debt Service	92,700	92,313	387	134,006
TOTAL EXPENDITURES	425,107	347,736	77,371	423,761
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	205,993	283,151	77,158	124,006
OTHER FINANCING SOURCES (USES):				
Transfers in	44,700	43,776	(924)	-
Reclassification of net assets	-	-	-	-
Transfers (out)	(231,300)	(231,300)	-	(304,580)
TOTAL OTHER FINANCING SOURCES (USES)	(186,600)	(187,524)	(924)	(304,580)
CHANGE IN FUND BALANCE	19,393	95,627	76,234	(180,574)
Fund balance, beginning of year	228,912	228,912	-	409,486
FUND BALANCE, END OF YEAR	\$ 248,305	\$ 324,539	\$ 76,234	\$ 228,912

OTHER FINANCIAL INFORMATION

City of Ishpeming, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The LOCAL STREET FUND, GARBAGE & RUBBISH FUND, TIF FUND, ALQUAAL FUND, BUILDING AUTHORITY FUND, LIBRARY STATE AID FUND, REVOLVING LOAN FUND, and D.A.R.E. FUND are Non-major Special Revenue Fund types.

PERMANENT FUNDS

The function of Permanent Funds is to account for funds where only the interest and earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Funds transactions. The PERPETUAL CARE FUND and CEMETERY CARE FUND are Permanent Fund types.

City of Ishpeming, Michigan
Non-major Governmental Funds
Combining Balance Sheet
December 31, 2007

	Special Revenue Funds	Permanent Funds		Total Non-major Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	
ASSETS				
Cash and cash equivalents	\$ 717,951	\$ 60,604	\$ 21,079	\$ 81,683
Investments	-	747,435	106,476	853,911
Accounts receivable, net	37,338	-	-	37,338
Taxes receivable	216,291	-	-	216,291
Due from other governments	34,456	-	-	34,456
Due from other funds	294,884	-	1,150	296,034
Notes receivable	265,174	-	-	265,174
TOTAL ASSETS	\$ 1,566,094	\$ 808,039	\$ 128,705	\$ 936,744
				\$ 2,502,838
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Cash overdrafts	\$ -	\$ -	\$ -	\$ -
Accounts payable	30,047	-	-	30,047
Accrued payroll	5,569	-	-	5,569
Accrued sick and vacation	-	-	-	-
Due to other funds	434,047	41,767	5,975	481,789
Deferred revenue	216,291	-	-	216,291
TOTAL LIABILITIES	685,954	41,767	5,975	733,696
FUND BALANCE:				
Reserved for:				
Cemetery Trust	-	766,272	122,730	889,002
Special Projects	28,878	-	-	28,878
Unreserved, reported in:				
Special revenue funds	851,262	-	-	851,262
TOTAL FUND BALANCE	880,140	766,272	122,730	889,002
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,566,094	\$ 808,039	\$ 128,705	\$ 936,744
				\$ 2,502,838

City of Ishpeming, Michigan
Non-major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

	Special Revenue Funds	Permanent Funds			Total Non-major Governmental Funds
		Perpetual Care Fund	Cemetery Care Fund	Total	
REVENUES:					
Taxes	\$ 208,466	\$ -	\$ -	\$ -	\$ 208,466
Federal sources	-	-	-	-	-
State sources	240,694	-	-	-	240,694
Charges for services	249,310	15,160	3,105	18,265	267,575
Interest income and rentals	22,792	41,767	5,975	47,742	70,534
Contributions	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other revenues	13,939	-	-	-	13,939
TOTAL REVENUES	735,201	56,927	9,080	66,007	801,208
EXPENDITURES:					
Current operations:					
Public safety	-	-	-	-	-
Public works	669,678	-	-	-	669,678
Recreation and culture	17,612	-	-	-	17,612
Other governmental	4,243	-	-	-	4,243
Debt service:					
Principal	26,300	-	-	-	26,300
Interest and fiscal charges	48,347	-	-	-	48,347
Capital outlay	-	-	-	-	-
TOTAL EXPENDITURES	766,180	-	-	-	766,180
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,979)	56,927	9,080	66,007	35,028
OTHER FINANCING SOURCES (USES):					
Investment in landfill	-	-	-	-	-
Transfers in	229,900	-	-	-	229,900
Reclassification of net assets	(146,839)	-	-	-	(146,839)
Transfers (out)	(119,519)	(41,767)	(5,975)	(47,742)	(167,261)
TOTAL OTHER FINANCING SOURCES (USES)	(36,458)	(41,767)	(5,975)	(47,742)	(84,200)
CHANGE IN FUND BALANCE	(67,437)	15,160	3,105	18,265	(49,172)
Fund balance, beginning of year	947,577	751,112	119,625	870,737	1,818,314
FUND BALANCE, END OF YEAR	\$ 880,140	\$ 766,272	\$ 122,730	\$ 889,002	\$ 1,769,142

City of Ishpeming, Michigan
Non-major Special Revenue Funds
Combining Balance Sheet
December 31, 2007

	Local Street Fund	Garbage & Rubbish Fund	TIF Fund	Al Quaal Fund	Building Authority Fund	Library State Aid Fund	Revolving Loan Fund	D.A.R.E. Fund	Total
ASSETS									
Cash and cash equivalents	\$ 119,644	\$ 141,758	\$ -	\$ 61,028	\$ 82,291	\$ 40,360	\$ 272,870	\$ -	\$ 717,951
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable, net	-	37,338	-	-	-	-	-	-	37,338
Taxes receivable	-	216,291	-	-	-	-	-	-	216,291
Due from other governments	21,356	-	-	-	-	-	13,100	-	34,456
Due from other funds	-	3,599	-	-	273,004	-	18,281	-	294,884
Notes receivable	-	-	-	-	-	-	265,174	-	265,174
TOTAL ASSETS	\$ 141,000	\$ 398,986	\$ -	\$ 61,028	\$ 355,295	\$ 40,360	\$ 569,425	\$ -	\$ 1,566,094
LIABILITIES AND FUND BALANCE									
LIABILITIES:									
Cash overdrafts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	30,047	-	-	-	-	-	-	30,047
Accrued payroll	3,361	2,208	-	-	-	-	-	-	5,569
Accrued sick and vacation	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	342,567	7,881	83,599	-	434,047
Deferred revenue	-	216,291	-	-	-	-	-	-	216,291
TOTAL LIABILITIES	3,361	248,546	-	-	342,567	7,881	83,599	-	685,954
FUND BALANCE:									
Reserved for special projects	-	28,878	-	-	-	-	-	-	28,878
Unreserved	137,639	121,562	-	61,028	12,728	32,479	485,826	-	851,262
TOTAL FUND BALANCE	137,639	150,440	-	61,028	12,728	32,479	485,826	-	880,140
TOTAL LIABILITIES AND FUND BALANCE	\$ 141,000	\$ 398,986	\$ -	\$ 61,028	\$ 355,295	\$ 40,360	\$ 569,425	\$ -	\$ 1,566,094

City of Ishpeming, Michigan
Non-major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

	Local Street Fund	Garbage & Rubbish Fund	TIF Fund	AI Quaal Fund	Building Authority Fund	Library State Aid Fund	Revolving Loan Fund	D.A.R.E. Fund	Total
REVENUES:									
Taxes	\$ -	\$ 208,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,466
Federal sources	-	-	-	-	-	-	-	-	-
State sources	225,208	-	-	-	-	15,486	-	-	240,694
Charges for services	-	249,310	-	-	-	-	-	-	249,310
Interest and rentals	1,413	1,600	-	3,683	-	412	15,499	185	22,792
Contributions	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-
Other revenue	-	7,937	-	-	-	-	6,002	-	13,939
TOTAL REVENUES	226,621	467,313	-	3,683	-	15,898	21,501	185	735,201
EXPENDITURES:									
Current operations:									
Public safety	-	-	-	-	-	-	-	-	-
Public works	308,148	361,530	-	-	-	-	-	-	669,678
Recreation and culture	-	-	-	-	-	17,612	-	-	17,612
Other governmental	-	-	-	-	-	-	4,243	-	4,243
Debt service:									
Principal	6,300	-	-	-	20,000	-	-	-	26,300
Interest and fiscal charges	2,434	-	-	-	45,913	-	-	-	48,347
Capital outlay	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	316,882	361,530	-	-	65,913	17,612	4,243	-	766,180
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(90,261)	105,783	-	3,683	(65,913)	(1,714)	17,258	185	(30,979)
OTHER FINANCING SOURCES:									
Investment in landfill	-	-	-	-	-	-	-	-	-
Transfers in	227,900	-	-	-	67,000	-	(65,000)	-	229,900
Reclassification of net assets	-	-	(146,839)	-	-	-	-	-	(146,839)
Transfers (out)	-	(81,500)	-	(30,000)	-	-	-	(8,019)	(119,519)
TOTAL OTHER FINANCING SOURCES (USES)	227,900	(81,500)	(146,839)	(30,000)	67,000	-	(65,000)	(8,019)	(36,458)
CHANGE IN FUND BALANCE	137,639	24,283	(146,839)	(26,317)	1,087	(1,714)	(47,742)	(7,834)	(67,437)
Fund balance, beginning of year	-	126,157	146,839	87,345	11,641	34,193	533,568	7,834	947,577
FUND BALANCE, END OF YEAR	\$ 137,639	\$ 150,440	\$ -	\$ 61,028	\$ 12,728	\$ 32,479	\$ 485,826	\$ -	\$ 880,140

City of Ishpeming, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of the City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

City of Ishpeming, Michigan
Non-major Enterprise Funds
Combining Statement of Net Assets
December 31, 2007 and 2006

	Ambulance Fund	Tube Slide Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable	437,232	3,508	440,740
Allowance for uncollectible accounts	(427,431)	-	(427,431)
Due from other funds		50,000	50,000
Prepaid expenses	-	-	-
Other current assets	-	-	-
TOTAL CURRENT ASSETS	9,801	53,508	63,309
Non-current Assets:			
Property, plant and equipment	267,420	37,062	304,482
Accumulated depreciation	(265,520)	-	(265,520)
TOTAL NON-CURRENT ASSETS	1,900	37,062	38,962
TOTAL ASSETS	11,701	90,570	102,271
LIABILITIES			
Current Liabilities:			
Cash overdrafts	52,007	55,900	107,907
Accounts payable	288	3,296	3,584
Accrued payroll	-	2,114	2,114
Accrued sick and vacation	-	-	-
TOTAL CURRENT LIABILITIES	52,295	61,310	113,605
TOTAL LIABILITIES	52,295	61,310	113,605
NET ASSETS			
Invested in capital assets net of related debt	1,900	37,062	38,962
Net Assets:			
Unrestricted	(42,494)	(7,802)	(50,296)
TOTAL NET ASSETS	\$ (40,594)	\$ 29,260	\$ (11,334)

City of Ishpeming, Michigan
Non-major Enterprise Funds
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	Ambulance Fund	Tube Slide Fund	Total
OPERATING REVENUES:			
Charges for services	\$ 14,001	\$ -	\$ 14,001
Other operating revenues	-	-	-
TOTAL OPERATING REVENUES	14,001	-	14,001
OPERATING EXPENSES:			
Personal services	-	11,993	11,993
Capital outlay	-	-	-
Contractual services	768	14,360	15,128
Supplies	367	-	367
Utilities	-	-	-
Depreciation	11,397	-	11,397
Other expenses	277	-	277
TOTAL OPERATING EXPENSES	12,809	26,353	39,162
OPERATING INCOME (LOSS)	1,192	(26,353)	(25,161)
NON-OPERATING REVENUES (EXPENSES):			
Interest income and rentals	-	5,613	5,613
TOTAL NON-OPERATING (EXPENSES)	-	5,613	5,613
INCOME (LOSS) BEFORE TRANSFERS	1,192	(20,740)	(19,548)
Capital contributions	-	-	-
Transfers in	-	50,000	50,000
Transfers (out)	-	-	-
CHANGE IN NET ASSETS	1,192	29,260	30,452
Net assets, beginning of year	(41,786)	-	(41,786)
NET ASSETS, END OF YEAR	\$ (40,594)	\$ 29,260	\$ (11,334)

City of Ishpeming, Michigan
Non-major Enterprise Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2007

	Ambulance Fund	Tube Slide Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from fees and charges for services	\$ 24,200	\$ (3,508)	\$ 20,692
Other operating revenues	-	-	-
Cash payments to employees for services	-	(8,962)	(8,962)
Cash payments for payroll taxes	-	(917)	(917)
Cash payments to suppliers for goods and services	(1,195)	(11,064)	(12,259)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,005	(24,451)	(1,446)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers in (out)	-	50,000	50,000
Increase in due to other funds	-	(50,000)	(50,000)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(37,062)	(37,062)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(37,062)	(37,062)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	-	5,613	5,613
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	5,613	5,613
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,005	(55,900)	(32,895)
Cash and cash equivalents, beginning of year	(75,012)	-	(75,012)
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ (52,007)</u>	<u>\$ (55,900)</u>	<u>\$ (107,907)</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,192	\$ (26,353)	(25,161)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,397	-	11,397
Change in assets and liabilities:	-		
(Increase) decrease in accounts receivable, net	10,199	(3,508)	6,691
Increase (decrease) in accounts payable	217	3,296	3,513
Increase (decrease) in accrued payroll	-	2,114	2,114
Increase (decrease) in accrued sick and vacation	-	-	-
NET ADJUSTMENTS	21,813	1,902	23,715
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 23,005</u>	<u>\$ (24,451)</u>	<u>\$ (1,446)</u>

City of Ishpeming, Michigan
Ambulance Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	437,232	467,811
Allowance for uncollectible accounts	(427,431)	(447,811)
Other current assets	-	-
TOTAL CURRENT ASSETS	9,801	20,000
Non-current Assets:		
Property, plant and equipment	267,420	267,420
Accumulated depreciation	(265,520)	(254,123)
TOTAL NON-CURRENT ASSETS	1,900	13,297
TOTAL ASSETS	11,701	33,297
LIABILITIES		
Current Liabilities:		
Cash overdrafts	52,007	75,012
Accounts payable	288	71
Accrued payroll	-	-
Accrued sick and vacation	-	-
TOTAL CURRENT LIABILITIES	52,295	75,083
TOTAL LIABILITIES	52,295	75,083
NET ASSETS		
Invested in capital assets net of related debt	1,900	13,297
Net Assets:		
Unrestricted	(42,494)	(55,083)
TOTAL NET ASSETS	\$ (40,594)	\$ (41,786)

City of Ishpeming, Michigan
Ambulance Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Charges for services	\$ 14,001	\$ (13,670)
Other operating revenues	-	-
TOTAL OPERATING REVENUES	<u>14,001</u>	<u>(13,670)</u>
OPERATING EXPENSES:		
Personal services	-	(233)
Capital outlay	-	-
Contractual services	768	7,600
Supplies	367	(1,528)
Utilities	-	2,574
Depreciation	11,397	11,397
Other expenses	277	265,020
TOTAL OPERATING EXPENSES	<u>12,809</u>	<u>284,830</u>
OPERATING INCOME (LOSS)	<u>1,192</u>	<u>(298,500)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income and rentals	-	18
TOTAL NON-OPERATING (EXPENSES)	<u>-</u>	<u>18</u>
INCOME (LOSS) BEFORE TRANSFERS	1,192	(298,482)
Transfers in	-	35,000
Transfers (out)	-	-
CHANGE IN NET ASSETS	1,192 -	(263,482)
Net assets, beginning of year	<u>(41,786)</u>	<u>221,696</u>
NET ASSETS, END OF YEAR	<u><u>\$ (40,594)</u></u>	<u><u>\$ (41,786)</u></u>

City of Ishpeming, Michigan
Ambulance Fund
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 24,200	\$ 415,273
Other operating revenues	-	-
Cash payments to employees for services	-	(63,135)
Cash payments for payroll taxes	-	(4,830)
Cash payments to suppliers for goods and services	(1,195)	(271,482)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	23,005	75,826
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	-	35,000
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	35,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	-	18
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	18
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,005	110,844
Cash and cash equivalents, beginning of year	(75,012)	(185,856)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (52,007)	\$ (75,012)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 1,192	\$ (298,500)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,397	11,397
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	10,199	428,943
Increase (decrease) in accounts payable	217	(2,646)
Increase (decrease) in accrued payroll	-	(63,368)
Increase (decrease) in accrued sick and vacation	-	-
NET ADJUSTMENTS	21,813	374,326
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 23,005	\$ 75,826

City of Ishpeming, Michigan
Tube Slide Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -	\$ -
Accounts receivable	3,508	-
Allowance for uncollectible accounts	-	-
Due from other funds	50,000	-
Prepaid expenses	-	-
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	53,508	-
	<hr/>	<hr/>
Non-current Assets:		
Property, plant and equipment	37,062	-
Accumulated depreciation	-	-
	<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS	37,062	-
	<hr/>	<hr/>
TOTAL ASSETS	90,570	-
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities:		
Cash overdraft	55,900	-
Accounts payable	3,296	-
Accrued payroll	2,114	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	61,310	-
	<hr/>	<hr/>
TOTAL LIABILITIES	61,310	-
	<hr/>	<hr/>
NET ASSETS		
Invested in capital assets net of related debt	37,062	-
Net Assets:		
Unrestricted	(7,802)	-
	<hr/>	<hr/>
TOTAL NET ASSETS	\$ 29,260	\$ -
	<hr/> <hr/>	<hr/> <hr/>

City of Ishpeming, Michigan
Tube Slide Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Charges for services	\$ -	\$ -
TOTAL OPERATING REVENUES	-	-
OPERATING EXPENSES:		
Personal services	11,993	-
Contractual services	-	-
Supplies	14,360	-
Utilities	-	-
Depreciation	-	-
Payment in lieu of taxes	-	-
Other expenses	-	-
TOTAL OPERATING EXPENSES	26,353	-
OPERATING INCOME (LOSS)	(26,353)	-
NON-OPERATING REVENUES (EXPENSES):		
Interest income and rentals	5,613	-
TOTAL NON-OPERATING (EXPENSES)	5,613	-
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(20,740)	-
Capital contributions	-	-
Transfers in	50,000	-
Transfers (out)	-	-
CHANGE IN NET ASSETS	29,260	-
Net assets, beginning of year	-	-
NET ASSETS, END OF YEAR	\$ 29,260	\$ -

City of Ishpeming, Michigan
Tube Slide Fund
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ (3,508)	\$ -
Other operating revenues	-	-
Cash payments to employees for services	(8,962)	-
Cash payments for payroll taxes	(917)	-
Cash payments to suppliers for goods and services	(11,064)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(24,451)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	50,000	-
Increase in due to/(from) other funds	(50,000)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(37,062)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(37,062)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	5,613	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	5,613	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(55,900)	-
Cash and cash equivalents, beginning of year	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (55,900)	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (26,353)	\$ -
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(3,508)	-
Increase (decrease) in accounts payable	3,296	-
Increase (decrease) in accrued payroll	2,114	-
Increase (decrease) in deferred revenue	-	-
NET ADJUSTMENTS	1,902	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (24,451)	\$ -

City of Ishpeming, Michigan
Sewer Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,510	\$ 123,582
Accounts receivable	68,852	60,454
Allowance for uncollectible accounts	-	-
Prepaid expenses	13,407	49,109
	<u>98,769</u>	<u>233,145</u>
TOTAL CURRENT ASSETS	<u>98,769</u>	<u>233,145</u>
Non-current Assets:		
Investment in Wastewater Treatment Facility	2,458,047	2,471,672
Property, plant and equipment	14,181,368	14,166,469
Accumulated depreciation	(6,894,474)	(6,542,318)
	<u>9,744,941</u>	<u>10,095,823</u>
TOTAL NON-CURRENT ASSETS	<u>9,744,941</u>	<u>10,095,823</u>
TOTAL ASSETS	<u>9,843,710</u>	<u>10,328,968</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	481	34,446
Accrued payroll	2,203	3,548
	<u>2,684</u>	<u>37,994</u>
TOTAL CURRENT LIABILITIES	<u>2,684</u>	<u>37,994</u>
TOTAL LIABILITIES	<u>2,684</u>	<u>37,994</u>
NET ASSETS		
Invested in capital assets net of related debt	9,744,941	10,095,823
Net Assets:		
Unrestricted	96,085	195,151
	<u>96,085</u>	<u>195,151</u>
TOTAL NET ASSETS	<u>\$ 9,841,026</u>	<u>\$ 10,290,974</u>

City of Ishpeming, Michigan
Sewer Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Taxes	\$ -	\$ -
Licenses and permits	450	360
Charges for services	793,605	729,638
Other revenue	159	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	794,214	729,998
	<hr/>	<hr/>
OPERATING EXPENSES:		
Personal services	98,468	151,953
Contractual services	472,224	429,061
Supplies	26,555	85,796
Utilities	1,402	1,327
Depreciation	352,156	351,908
Payment in lieu of taxes	195,000	185,000
Other expenses	30,942	1,843
	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	1,176,747	1,206,888
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	(382,533)	(476,890)
	<hr/>	<hr/>
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	-	-
Tax Tribunal adjustments	-	(33,893)
Loss on wastewater facility	(13,625)	(64,371)
Interest income and rentals	8,010	11,451
	<hr/>	<hr/>
TOTAL NON-OPERATING (EXPENSES)	(5,615)	(86,813)
	<hr/>	<hr/>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(388,148)	(563,703)
	<hr/>	<hr/>
Capital contributions	-	-
Transfers (out)	(61,800)	(60,000)
	<hr/>	<hr/>
CHANGE IN NET ASSETS	(449,948)	(623,703)
	<hr/>	<hr/>
Net assets, beginning of year	10,290,974	10,914,677
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 9,841,026</u>	<u>\$ 10,290,974</u>

City of Ishpeming, Michigan
Sewer Fund
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 785,657	\$ 726,807
Other operating revenues	159	-
Cash payments to employees for services	(92,280)	(150,120)
Cash payments for payroll taxes	(7,533)	(11,484)
Cash payments to suppliers for goods and services	(724,386)	(697,134)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(38,383)	(131,931)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(61,800)	(60,000)
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(61,800)	(60,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(14,899)	-
Interest paid on long-term bonds	-	-
Principal payment on long-term bonds	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(14,899)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	8,010	11,451
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	8,010	11,451
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(107,072)	(180,480)
Cash and cash equivalents, beginning of year	123,582	304,062
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 16,510	\$ 123,582
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (382,533)	\$ (510,783)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	352,156	351,908
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(8,398)	(3,191)
(Increase) decrease in taxes receivable	-	-
(Increase) decrease in prepaid expenses	35,702	(5,924)
Increase (decrease) in accounts payable	(33,965)	34,226
Increase (decrease) in accrued payroll	(1,345)	1,833
Increase (decrease) in deferred revenue	-	-
NET ADJUSTMENTS	344,150	378,852
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (38,383)	\$ (131,931)

City of Ishpeming, Michigan
Water Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 813,682	\$ 685,137
Accounts receivable	272,927	264,946
Allowance for uncollectible accounts	-	-
Other current assets	5,361	-
	<u>1,091,970</u>	<u>950,083</u>
TOTAL CURRENT ASSETS	<u>1,091,970</u>	<u>950,083</u>
Non-current Assets:		
Investment in Joint Water Authority	3,507,323	3,507,323
Property, plant and equipment	3,649,163	3,615,848
Accumulated depreciation	(1,972,913)	(1,880,808)
	<u>5,183,573</u>	<u>5,242,363</u>
TOTAL NON-CURRENT ASSETS	<u>5,183,573</u>	<u>5,242,363</u>
TOTAL ASSETS	<u>6,275,543</u>	<u>6,192,446</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	36,287	27,991
Accrued liabilities	61,449	54,049
Accrued payroll	8,208	7,898
Accrued sick and vacation leave	34,202	34,019
Other current liabilities	-	-
	<u>140,146</u>	<u>123,957</u>
TOTAL CURRENT LIABILITIES	<u>140,146</u>	<u>123,957</u>
TOTAL LIABILITIES	<u>140,146</u>	<u>123,957</u>
NET ASSETS		
Invested in capital assets net of related debt	5,183,573	5,242,363
Net Assets:		
Unrestricted	951,824	826,126
	<u>6,135,397</u>	<u>6,068,489</u>
TOTAL NET ASSETS	<u>\$ 6,135,397</u>	<u>\$ 6,068,489</u>

City of Ishpeming, Michigan
Water Fund
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
State sources	\$ -	\$ -
Licenses and permits	600	400
Charges for services	1,056,105	1,003,225
Other revenue	20,421	15,792
	<u>1,077,126</u>	<u>1,019,417</u>
TOTAL OPERATING REVENUES	<u>1,077,126</u>	<u>1,019,417</u>
OPERATING EXPENSES:		
Personal services	301,340	232,310
Contractual services	355,250	320,010
Supplies	83,717	61,449
Utilities	7,947	8,979
Depreciation	92,106	81,588
Payment in lieu of taxes	110,000	95,000
Other expenses	21,514	8,382
	<u>971,874</u>	<u>807,718</u>
TOTAL OPERATING EXPENSES	<u>971,874</u>	<u>807,718</u>
OPERATING INCOME (LOSS)	<u>105,252</u>	<u>211,699</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest expense	-	-
Interest income and rentals	41,641	28,275
	<u>41,641</u>	<u>28,275</u>
TOTAL NON-OPERATING (EXPENSES)	<u>41,641</u>	<u>28,275</u>
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	146,893	239,974
Capital contributions	33,315	-
Transfers (out)	(113,300)	(110,000)
	<u>66,908</u>	<u>129,974</u>
CHANGE IN NET ASSETS	<u>66,908</u>	<u>129,974</u>
Net assets, beginning of year	6,068,489	5,938,515
NET ASSETS, END OF YEAR	<u><u>\$ 6,135,397</u></u>	<u><u>\$ 6,068,489</u></u>

City of Ishpeming, Michigan
Water Fund
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fees and charges for services	\$ 1,048,724	\$ 1,001,684
Other operating revenues	20,420	15,792
Cash payments to employees for services	(277,794)	(226,847)
Cash payments for payroll taxes	(23,053)	(17,354)
Cash payments to suppliers for goods and services	(562,732)	(500,109)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	205,565	273,166
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers in (out)	(113,300)	(110,000)
Increase in due to other funds	(5,361)	-
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	(118,661)	(110,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(33,315)	(147,777)
Capital contributions received	33,315	-
Interest paid on long-term bonds	-	-
Principal payment on long-term bonds	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(147,777)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	41,641	28,275
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	41,641	28,275
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,545	43,664
Cash and cash equivalents, beginning of year	685,137	641,473
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 813,682	\$ 685,137
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 105,252	\$ 211,699
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	92,105	81,588
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(7,981)	(1,941)
Increase (decrease) in accounts payable	8,296	(22,218)
Increase (decrease) in customer deposits payable	7,400	(1,425)
Increase (decrease) in accrued payroll	310	2,306
Increase (decrease) in accrued sick and vacation	183	3,157
NET ADJUSTMENTS	100,313	61,467
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 205,565	\$ 273,166

FIDUCIARY FUNDS

The function of Fiduciary Funds is to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. These include (a) private-purpose trust funds, (b) pension trust funds, and (c) agency funds.

City of Ishpeming, Michigan
Fiduciary Funds
Combining Statement of Fiduciary Net Assets
December 31, 2007

	Private-Purpose Trust Funds				Agency Funds		
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals	Trust & Agency Fund	Tax Collection Fund	Totals
ASSETS							
Cash and equivalents	\$ -	\$ 5,758	\$ 1,584	\$ 7,342	\$ 1,669	\$ 758,627	\$ 760,296
Investments	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
TOTAL ASSETS	-	5,758	1,584	7,342	\$ 1,669	\$ 758,627	\$ 760,296
LIABILITIES							
Accounts payable	-	-	-	-	\$ -	\$ -	\$ -
Due to other funds	-	5,758	-	5,758	4	718,482	718,486
Due to other governmental units	-	-	-	-	1,665	40,145	41,810
Deferred revenues	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	5,758	-	5,758	\$ 1,669	\$ 758,627	\$ 760,296
NET ASSETS							
Held in trust for individuals, organizations, and other governments	-	-	1,584	1,584			
TOTAL NET ASSETS	\$ -	\$ -	\$ 1,584	\$ 1,584			

City of Ishpeming, Michigan
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Assets
For the Year Ended December 31, 2007

	Private-Purpose Trust Funds			
	England Library Endowment Fund	Lily Schopp Endowment Fund	Ruth Chilman Endowment Fund	Totals
ADDITIONS:				
Contributions:				
Gifts, bequests and endowments	\$ -	\$ -	\$ -	\$ -
Total Contributions	-	-	-	-
Investment Income:				
Net appreciation (depreciation) in fair value of investments	-	-	-	-
Interest and dividends	-	58	16	74
Net Investment Income (Loss)	-	58	16	74
TOTAL ADDITIONS	-	58	16	74
DEDUCTIONS:				
Payments in accordance with trust agreements	47	5,758	-	5,805
TOTAL DEDUCTIONS	47	5,758	-	5,805
CHANGE IN NET ASSETS	(47)	(5,700)	16	(5,731)
Net assets, beginning of year	47	5,700	1,568	7,315
NET ASSETS, END OF YEAR	\$ -	\$ -	\$ 1,584	\$ 1,584

COMPLIANCE SUPPLEMENTS



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Daniel E. Bianchi, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ishpeming, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the City of Ishpeming, Michigan's basic financial statements and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Ishpeming, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ishpeming, Michigan's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Ishpeming, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Ishpeming, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Ishpeming, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Ishpeming, Michigan's internal control. We did not consider any of the deficiencies described in a separate letter to management dated May 30, 2008 to be significant deficiencies in internal control over financial reporting.

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Ishpeming, Michigan 49849

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Ishpeming, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Ishpeming, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated May 30, 2008 as items 07-01.

This report is intended solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

May 30, 2008



Anderson, Tackman & Company, PLC

Certified Public Accountants

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Partners

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Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

City of Ishpeming, Michigan
Report to Management Letter
For the Year Ended December 31, 2007

To the Honorable Mayor and City Council
City of Ishpeming, Michigan 49849

In planning and performing our audit of the financial statements of City of Ishpeming, Michigan as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered City of Ishpeming, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

07-01 Instances of Non-Compliance

Unrestricted Net Asset Deficit

The State of Michigan has enacted Public Act 275 of 1980, as amended: Failure to File Reports and Deficit Elimination Plans requiring local units to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition that existed at the end of the previous fiscal year. For reporting fund deficits, the term "fund deficit" is defined as a negative unreserved portion of fund balance for governmental fund types and a

negative unrestricted portion of net assets for proprietary fund types.

The City's Tube Slide fund had a deficit in unrestricted net assets of \$7,802 with the fund's total net assets amounting to \$29,260. The City was found to be in violation of the legal and contractual provisions of Public Act 275 by not filing a deficit elimination plan within 90 days as a result of this deficit in the Ambulance Fund as of December 31, 2007.

This communication is intended solely for the information and use of management, the City Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Company, PLLC
Certified Public Accountants

May 30, 2008



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Certified Public Accountants
Marquette, Michigan 906-225-1166
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Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

May 30, 2008

Honorable Mayor and Members
of the City Council
100 Division Street
City of Ishpeming, Michigan 49849

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Ishpeming, Michigan for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated March 17, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City of Ishpeming, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of the City of Ishpeming's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our test was not to provide an opinion on compliance with such provision.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated March 17, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Ishpeming are described in Footnote A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the government unit during the year for which there is a lack of authoritative guidance or consensus. There are not significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

1. Capitalization of costs associated with Tube Slide installation.
2. Recording of depreciation expense for enterprise funds.
3. Adjustment to Sewer Fund prepaid expenses to agree to amounts received from Ishpeming Area Joint Wastewater Treatment Facility.
4. Adjustment to Sewer Fund equity to agree to amounts received from Ishpeming Area Joint Wastewater Treatment Facility.
5. Adjustment to Pension Trust Fund reserve.
6. Adjustments to taxes, taxes receivable, and deferred revenue.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Ishpeming's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

This information is intended solely for the use of the City Council and management of the City of Ishpeming, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC

Certified Public Accountants